

SENATE BILL REPORT

SB 6407

As Reported By Senate Committee On:
Economic Development, Trade & Management, January 30, 2008

Title: An act relating to increasing the small business credit for the business and occupation tax.

Brief Description: Increasing the small business credit for the business and occupation tax.

Sponsors: Senators Franklin, Eide, Benton, Kline, Hobbs, Honeyford, Marr, Weinstein, Kilmer, Fairley, Tom, Berkey, Swecker, Rasmussen, Shin, Sheldon, Keiser, Pridemore, Hargrove, Regala, Haugen, Murray, McDermott, McAuliffe and King.

Brief History:

Committee Activity: Economic Development, Trade & Management: 1/25/08, 1/30/08[DP-WM].
Ways & Means: 2/12/08.

SENATE COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE & MANAGEMENT

Majority Report: Do pass and be referred to Committee on Ways & Means.

Signed by Senators Kastama, Chair; Kilmer, Vice Chair; Zarelli, Ranking Minority Member; Kauffman, King and Shin.

Staff: Aaron Gutierrez (786-7448)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dianne Criswell (786-7433)

Background: Washington's major business tax, the business and occupation tax (B&O), is imposed on the gross receipts of business activities conducted within the state. A small business credit of 35 dollars per month is allowed against the B&O. The credit has not been increased since 1994.

The Department of Revenue may relieve businesses from the requirement of filing returns if the amount subject to tax is less than 28 thousand dollars.

Summary of Bill: The maximum credit against the B&O is increased to 40 dollars per each month in the reporting period. Beginning in 2010, the maximum credit against the B&O will increase at a rate equivalent to the increase in the rate of the Washington consumer price index. If there is no increase, or a decrease occurs in the consumer price index, the maximum credit amount will remain the same as in the previous fiscal year.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The 28 thousand dollar minimum threshold for filing returns is replaced by a mathematical formula using the B&O tax credit.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on January 1, 2009.

Staff Summary of Public Testimony (Economic Development, Trade & Management):

PRO: This bill represents five years of work. Small businesses have stated that because the credit is based on gross, rather than net earnings, it has been very difficult to work with. The bill is designed to help entrepreneurs and small business owners succeed. Senator Franklin worked with the Governor's staff to pare the bill down in the interest of lowering the cost. The indexing portion is a good idea, as it need not be adjusted every year, or every few years. This bill is generally a step in the right direction.

Persons Testifying (Economic Development, Trade & Management): PRO: Senator Franklin, prime sponsor; Mark Johnson, Washington Retail Association.

Staff Summary of Public Testimony (Ways & Means): PRO: There are a lot of small businesses in Washington that are trying to do the right thing. Since our B&O tax is on gross receipts, rather than net income, the tax affects small and new businesses. Therefore, it is necessary to provide some relief. This bill has been introduced for the last five years, and we have worked to minimize its cost. This proposal will greatly help small businesses and will enable them to reinvest those moneys in additional employees and to expand. This bill is a modest change, but meaningful to small businesses.

Persons Testifying (Ways & Means): PRO: Senator Franklin, prime sponsor; Mark Johnson, Washington Retail Association; Troy Nichols, National Federation of Independent Business.